

EXTRACTS FROM A SPEECH BY CHRISTOPHER TUGENDHAT, VICE-PRESIDENT OF THE EUROPEAN COMMISSION, TO THE ANNUAL GENERAL MEETING OF THE WESSEX AREA CONSERVATIVE ASSOCIATION ON SATURDAY 19 MAY 1984

COMPETITION IN AIR FARES, COST-EFFECTIVENESS IN AGRICULTURE: TWO TREATY PRINCIPLES AT WORK

MR CHRISTOPHER TUGENDHAT, VICE-PRESIDENT OF THE EUROPEAN COMMISSION, TODAY CALLED FOR FULL SUPPORT FOR EFFORTS TO REDUCE AIR FARES IN EUROPE AND FOR THE RECENT CHANGES IN THE COMMON AGRICULTURAL POLICY (CAP).

"ACTION IN BOTH THESE SPHERES WOULD PROMOTE COMPETITION AND COST EFFECTIVENESS - TWO OF THE EUROPEAN COMMUNITIES' CENTRAL PRINCIPLES", HE SAID IN A SPEECH AT BASINGSTOKE ON SATURDAY 19 MAY. "BOTH THESE PRINCIPLES ARE FIRMLY ENSHRINED IN THE TREATY OF ROME, AND MUST CONTINUE TO FORM THE BASIS FOR THE COMMUNITY'S FUTURE DEVELOPMENT", MR TUGENDHAT SAID.

AIR FARES IN EUROPE WERE "CURRENTLY RIGGED AT LUDICROUS LEVELS", AND THE CAP REFORMS WERE "AIMED AT MAKING IT ECONOMICALLY VIABLE".

II

LOWER AIR FARES

WHY SHOULD AIRLINES BE ALLOWED TO RIG THEIR PRICES WHEN ALMOST ALL OTHER PROVIDERS OF SERVICES HAVE TO COMPETE IN THE MARKET PLACE? TO BE SURE, THERE ARE ROUTES TO ISOLATED PARTS OF EUROPE WHICH COULD NOT BE RUN ON A COMMERCIAL BASIS. LET THEM THEN BE DIRECTLY SUBSIDISED BY GOVERNMENT. THERE IS NO LOGIC IN ECONOMICS OR JUSTICE IN CHARGING EXORBITANT FARES ON SOME OF THE BUSIEST ROUTES IN THE WORLD - SUCH AS LONDON TO PARIS, BRUSSELS OR AMSTERDAM - SO AS TO SUBSIDISE THE FEW WHICH CANNOT BE RUN ON A COMMERCIAL BASIS.

THE PRIVATE AGREEMENT BETWEEN BRITISH AIRWAYS AND KLM FOR A £49 SPECIAL RETURN FARE BETWEEN LONDON AND AMSTERDAM IS THEREFORE TO BE WELCOMED. IT MUST BE SHOWN TO WORK BY GENERATING EXTRA TRAFFIC. LET US HOPE THEREFORE THAT THE AVAILABILITY OF THIS CHEAP FARE ENABLES PEOPLE TO FLY FROM BRITAIN TO THE NETHERLANDS AND VICE VERSA, WHO WOULD NOT OTHERWISE HAVE BEEN ABLE TO AFFORD TO DO SO. LET US ALSO HOPE THAT AS MANY AS POSSIBLE OF THOSE WHO NEED TO TRAVEL TO OR FROM NEARBY DESTINATIONS IN BELGIUM OR GERMANY WILL FLY VIA AMSTERDAM.

/IF THE AIRLINES

IF THE AIRLINES AND GOVERNMENTS WHO STILL INSIST ON MAINTAINING THE PRESENT EXORBITANT PRICES FOR AIR FARES CAN SEE THAT THE CHEAP ROUTES ARE GAINING EXTRA TRAFFIC, AND THAT SOME OF THIS TRAFFIC IS AT THEIR EXPENSE, THEN ONE BY ONE THEY MAY BE FORCED TO FOLLOW THE EXAMPLE SET BY LONDON AND AMSTERDAM. A REAL CHINK WILL HAVE BEEN DRIVEN INTO THE ARMOUR OF THE EUROPEAN AIR CARTEL. IN THE LONG RUN THE AIRLINES THEMSELVES WILL PROFIT FROM THIS. IN THE SHORT TERM IT IS UP TO CONSUMERS - ESPECIALLY LARGE ENTERPRISES WHOSE EMPLOYEES TRAVEL REGULARLY - TO SHOW THE WAY.

#### A REFORMED CAP

REFORM OF THE COMMON AGRICULTURAL POLICY WILL ALSO WORK TO THE BENEFIT OF PRODUCERS AND CONSUMERS. I RECOGNISE THAT THE END OF UNLIMITED GUARANTEE ARRANGEMENTS FOR MILK WILL INEVITABLY CAUSE DIFFICULTIES FOR SOME FARMERS IN THE SHORT TERM - PARTICULARLY IN A PART OF THE COUNTRY SUCH AS THIS WHERE THE DAIRY SECTOR IS A MAJOR COMPONENT OF ECONOMIC LIFE. YET TAXPAYERS CAN NO LONGER BE ASKED TO FINANCE OPEN-ENDED SUPPORT FOR DAIRY PRODUCTS REGARDLESS OF THE MARKET SITUATION OR THE BELT-TIGHTENING WHICH OTHER GROUPS ARE BEING REQUIRED TO UNDERTAKE.

/INDEED, THE DAIRY

INDEED, THE DAIRY SECTOR IS BY FAR THE MOST COSTLY ITEM IN THE COMMUNITY BUDGET, AND ACCOUNTS FOR ONE-FIFTH OF ALL COMMUNITY EXPENDITURE. THE ANNUAL COST OF DISPOSING OF SURPLUS MILK IS NOW IN EXCESS OF £3000 MILLION. THIS IS CLEARLY AN UNSUSTAINABLE SITUATION.

YET MILK IS NOT THE ONLY COMMODITY IN SURPLUS. FIRM ACTION WILL ALSO HAVE TO BE TAKEN SOON IN RELATION TO OTHER PRODUCTS, SUCH AS WINE, WHERE SURPLUSES ARE ALSO INCREASING RAPIDLY AND WHERE COSTS ARE RISING EVEN FASTER THAN IN THE DAIRY SECTOR.

THERE ARE MANY WHO ALLEGE THAT THE UNITED KINGDOM IS BEING ASKED TO SHOULDER A DISPROPORTIONATE SHARE OF THE BURDEN OF SUCH REFORMS. I CAN ASSURE YOU THAT THIS IS NOT THE CASE. FARMERS IN BRITAIN, AS WELL AS IN GERMANY AND HOLLAND, WERE GETTING SIGNIFICANTLY HIGHER SUPPORT PRICES IN REAL TERMS BEFORE THE RECENT BRUSSELS AGREEMENT THAN WERE FARMERS IN MOST OTHER MEMBER STATES. INDEED, SUPPORT PRICES IN BRITAIN ARE STILL HIGHER THAN THE COMMUNITY NORM. MOREOVER, IN THOSE COUNTRIES IN WHICH PRICES HAVE RISEN IN NATIONAL CURRENCIES, INFLATION IS GENERALLY HIGHER THAN IN BRITAIN AND SOMETIMES CONSIDERABLY SO.

/WE ALL KNOW

WE ALL KNOW THAT WITH THE HELP OF THE CAP BRITISH AGRICULTURE HAS ENJOYED AN ERA OF REMARKABLE EXPANSION IN THE LAST 10 YEARS. INDEED, IN THE CASE OF MILK - THE MOST IMPORTANT SURPLUS PRODUCT IN THE COMMUNITY - THE RATE OF INCREASE IN THIS COUNTRY HAS BEEN FASTER THAN IN A NUMBER OF OTHERS. IT NOW PRODUCES THROUGHOUT THE YEAR ABOUT TWICE AS MUCH MILK AS IS REQUIRED FOR THE LIQUID MARKET. IN OTHER WORDS BRITAIN'S AGRICULTURE HAS CONTRIBUTED TO THE PROBLEM OF SURPLUSES AND MUST THEREFORE SHARE IN THE DISCIPLINES WHICH ARE NOW NECESSARY TO PUT THE CAP ON A SOUNDER ECONOMIC FOOTING.

BRITAIN HAS MAJOR ADVANTAGES IN FACING UP TO THESE REFORMS. ONE IS THE WELL-KNOWN EFFICIENCY OF THE FARMING INDUSTRY IN THIS COUNTRY AND ANOTHER IS THE TRADITIONAL CAPACITY OF FARMERS AS INDIVIDUAL ENTREPRENEURS TO ADAPT TO CHANGING CIRCUMSTANCES. A THIRD IS THE FACT THAT THE RATE OF INFLATION IN THIS COUNTRY IS AMONG THE LOWEST IN THE COMMUNITY. //